



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 16, 2007

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Auditor of State David A. Vaudt today released an audit report on the City of Perry, Iowa.

The City's receipts totaled \$8,600,268 for the year ended June 30, 2006, a 15 percent decrease from 2005. The receipts included \$1,992,449 in property tax, \$398,759 from tax increment financing, \$2,231,348 from charges for service, \$1,197,453 from operating grants, contributions and restricted interest, \$632 from capital grants, contributions and restricted interest, \$761,510 from local option sales tax, \$50,246 from unrestricted interest on investments, \$1,853,061 from bond and note proceeds and \$114,810 from other general receipts.

Disbursements for the year totaled \$7,131,003, a 22 percent decrease from the prior year, and included \$2,072,543 for public works, \$1,466,889 for public safety and \$1,074,267 for culture and recreation. Also, disbursements for business type activities totaled \$883,748.

The significant decrease in receipts and disbursements is due primarily to a decrease in bond proceeds and miscellaneous receipts and a decrease in capital projects activity from the prior year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF PERRY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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City of Perry

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Viivi Shirley	Mayor	Jan 2008
Rusty Martin	Council Member	Jan 2006
Jay Pattee	Council Member	Jan 2008
Wilford Roberts	Council Member	Jan 2008
Phillip Stone (Appointed)	Council Member	Jan 2008
David Swinton	Council Member	Resigned
Carolyn McNeill	Council Member	Jan 2010
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Jeanette Peddicord	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite
(After January 2006)		
Viivi Shirley	Mayor	Jan 2008
Morris Michaelsen (Appointed)	Council Member	Jan 2008
Jay Pattee	Council Member	Jan 2008
Mark Powell	Council Member	Resigned
Wilford Roberts	Council Member	Jan 2008
Phillip Stone (Appointed)	Council Member	Jan 2008
Carolyn McNeill	Council Member	Jan 2010
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Jeanette Peddicord	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Perry, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Perry's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Perry as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2006 on our consideration of City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Perry provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 4.3%, or approximately \$316,000, from fiscal 2005 to fiscal 2006. Local option sales tax receipts increased approximately \$146,000 and the City began collecting hotel/motel tax and electric and gas franchise fees for the first time in fiscal year 2006.
- Disbursements of the City's governmental activities decreased 8.1%, or approximately \$554,000, in fiscal 2006 from fiscal 2005. Debt service and capital projects disbursements decreased approximately \$1,005,000, and \$687,000, respectively. These decreases were offset by increases in disbursements in other functions, particularly public works and general government which increased approximately \$433,000 and \$380,000, respectively.
- The City's total cash basis net assets increased 66.3%, or approximately \$1,469,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$1,408,000 and the assets of the business type activities increased approximately \$61,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer and sewer discharge system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Sewer and Sewer Discharge Funds, of which the Sewer Fund is considered to be a major fund of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

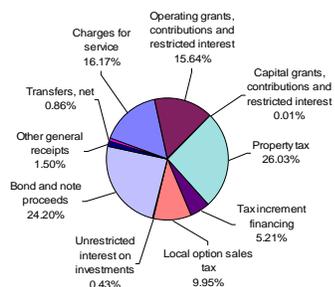
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in Note 12 on pages 35 and 36, beginning governmental activities cash basis net assets increased by \$16,407 due to reporting financial activity previously excluded. In addition, in fiscal year 2005, Perry Waterworks was presented as part of the City's business type activities, whereas in fiscal year 2006, it was reclassified and reported as a discretely presented component unit. This resulted in a \$673,047 decrease in the beginning cash basis net assets for business type activities. To enhance comparability, all amounts presented for fiscal year 2005 in this discussion and analysis were restated, as applicable, to reflect these changes.

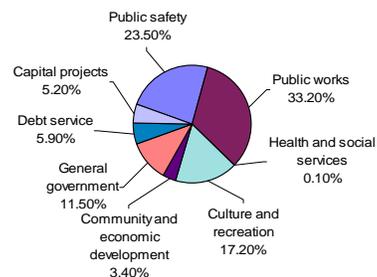
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$1.289 million to \$2.697 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 1,238,251	1,193,429
Operating grants, contributions and restricted interest	1,197,453	110,201
Capital grants, contributions and restricted interest	632	-
General receipts:		
Property tax	1,992,449	2,188,256
Tax increment financing	398,759	440,601
Local option sales tax	761,510	615,136
Unrestricted interest on investments	32,981	28,862
Bond and note proceeds	1,853,061	1,732,737
Other general receipts	114,810	979,840
Transfers, net	65,821	51,149
Total receipts and transfers	<u>7,655,727</u>	<u>7,340,211</u>
Disbursements:		
Public safety	1,466,889	1,402,090
Public works	2,072,543	1,639,507
Health and social services	8,850	5,370
Culture and recreation	1,074,267	956,329
Community and economic development	212,968	73,741
General government	715,365	335,705
Debt service	369,394	1,374,239
Capital projects	326,979	1,014,264
Total disbursements	<u>6,247,255</u>	<u>6,801,245</u>
Increase in cash basis net assets	1,408,472	538,966
Cash basis net assets beginning of year, as restated	1,288,524	749,558
Cash basis net assets end of year	<u>\$ 2,696,996</u>	<u>1,288,524</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by 4.3%, or \$316,000. The total cost of all programs and services decreased by approximately \$554,000, or 8.1%, with no new programs added this year. The increase in receipts was primarily due to an increase in local option sales tax receipts and the first year of collection of hotel/motel tax and electric and gas franchise fees.

The cost of all governmental activities this year was \$6.247 million compared to \$6.801 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$3.811 million because some of the cost was paid by those who directly benefited from the programs (\$1,238,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,198,000). Overall, the City's program receipts, including intergovernmental aid and fees for service, increased in 2006 from approximately \$1,304,000 to approximately \$2,436,000. The increase is primarily due to the reclassification of certain receipts from the prior year (from general receipts, miscellaneous to program receipts – operating grants, contributions and restricted interest) to conform with the City's chart of accounts. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3.811 million in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Sewer	929,583	908,436
Sewer discharge	63,514	-
General receipts:		
Unrestricted interest on investments	17,265	6,638
Other general receipts	-	2,533
Total receipts	1,010,362	917,607
Disbursements and transfers:		
Sewer	822,993	796,001
Sewer discharge	60,755	-
Transfers	65,821	51,149
Total disbursements and transfers	949,569	847,150
Increase in cash basis net assets	60,793	70,457
Cash basis net assets beginning of year, as restated	928,183	857,726
Cash basis net assets end of year	\$ 988,976	928,183

Total business type activities receipts for the fiscal year were approximately \$1,010,000 compared to \$918,000 last year. The cash balance increased by approximately \$61,000 from the prior year. The increases are due to an increase in the sewer rate structure during FY 2006. Total disbursements and transfers for the fiscal year increased 12% to approximately \$950,000. The increase is due to increases in the cost of utilities, principal payments on SRF Sewer Revenue Bonds, and the yearly transfer to the General Fund. Also, the City used the Sewer Discharge Fund for the 2005 Lucinda Storm Sewer Project during fiscal 2006.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$2,696,996, an increase of approximately \$1,408,000 above last year's restated balance of \$1,288,524. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$422,946 from the prior year to \$112,250. Approximately \$112,000 of this increase was due to the City collecting hotel/motel tax and electric and gas franchise fees for the first time this fiscal year. The City intends to use these receipts to fund parks and recreation projects and perform maintenance on the utility right-of-ways. In addition, the City transferred funds from the Special Revenue, Local Option Sales Tax Fund to the General Fund in order to pay for capital improvement projects and equipment items and to permanently eliminate the deficit that had existed in the General Fund since FY 1999.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$69,064 to \$371,656 during the fiscal year. This increase was attributable to budget planning in order to provide an excess of receipts over disbursements to build a fund balance for future street improvement projects.
- The Special Revenue, Urban Renewal Tax Increment Fund's cash balance at year end was \$297,177, an increase of \$14,410 over the previous year. The increase was the result of the receipt of funds for the repayment of principal and accrued interest for the FY 2004 and FY 2005 loan based on the Homes of Hiawatha Development Agreement and the repayment from Dallas County Hospital for TIF funds used for a road extension which were returned to the City after the Spring Valley Retirement Community was converted into a tax-exempt entity.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$440,846 from the prior year to \$69,039, due primarily to payment from the Streets and Sewers Account for the 2005 Lucinda Storm Sewer Project. Also, the School Split Account receipts were transferred to the General Fund for capital expenditures and to eliminate a deficit that had existed since fiscal year 1999.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$70,318 from the prior year to \$27,033. The decrease was caused by the City using the fund balance in the fund to pay for the employee benefits in the Road Use Tax Fund in order to avoid increasing the fund's levy rate.
- The Debt Service Fund cash balance decreased by \$68,665 to \$59,011 during the fiscal year. This decrease was due to the City using the fund balance in the Debt Service Fund for a \$75,000 general obligation street improvement note to acquire real estate for a future street improvement project.
- The Capital Projects Fund cash balance increased \$1,449,797 from the prior year to \$1,453,040. Approximately \$1,790,000 of this increase was due to the City issuing debt, the majority of which remained unspent at year end. The debt proceeds will be used to finance the Perry Downtown Revitalization Project, Step 2, which includes street, sidewalk, storm sewer, landscape and street light improvements in the downtown area.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased by \$58,034 to \$969,927, due primarily to the budget planning to build a fund balance for future sanitary and storm sewer improvement projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on May 15, 2006 and resulted in an increase in operating receipts and disbursements related to increased revenues that included Local Option Sales Tax, MidAmerican Energy franchise fee, insurance reimbursements, grants for police service, street projects and housing rehabilitation, higher interest rates and a bond sale. Increased expenditures included increased fuel and utility bills, engineering for the Willis Avenue/Park Street projects and the Downtown Revitalization Project, Step 2, the housing rehabilitation project with Region XII, the purchase of a garbage truck and recycle pickup and the fund balance transfer from the Urban Renewal Tax Increment Fund to the Local Option Sales Tax Fund. The second amendment was approved on May 30, 2006 to provide for additional disbursements, including property acquisition for a future street improvement project and engineering fees for the Willis Avenue/Park Street Projects and the Downtown Revitalization Project, Step 2. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$214,733 less than budgeted. This was primarily due to a grant cycle carryover for the housing rehabilitation grant and the STP grant for the Willis Avenue/Park Street improvement projects.

Total disbursements were \$562,373 less than the amended budget. The actual disbursements for the community and economic development, capital projects and culture and recreation functions were \$164,020, \$139,417 and \$78,516, respectively, less than the amended budget. This was primarily due to overestimating the FY 2006 expenditures for the housing rehabilitation grant and the STP grant for the Willis Avenue/Park Street improvement projects. Also, not all budgeted capital building improvement projects were completed in FY 2006 at the McCreary Community Building.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$7,108,000 in bonds and other long-term debt outstanding, compared to approximately \$6,152,000, as restated, for last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
General obligation bonds and notes	\$ 2,110,000	420,000
Urban renewal tax increment financing revenue bonds	543,593	750,000
Revenue bonds and notes	3,959,000	4,291,000
Lease purchase agreements	275,408	362,983
Bank loans	40,185	53,477
Real estate contracts	62,683	100,491
Development agreement	117,003	174,301
Total	\$ 7,107,872	6,152,252

Debt increased as a result of issuing general obligation bonds for the Downtown Revitalization Project, Step 2. In addition, the City issued a street improvement note for the purpose of acquiring property for a future street improvement project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,999,000 is significantly below its constitutional debt limit of \$10,708,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Taxable valuations used for the FY 2006 budget increased by \$3,048,083, or 3% over the value used for the FY 2005 budget. Taxable valuations used for the FY 2007 budget increased by \$4,797,201, or 4%, over the value used for the FY 2006 budget. Dallas County is currently in the process of reassessing the homes and businesses in Perry. Preliminary figures indicate the taxable valuations to be used for FY 2008 will increase by approximately 9%. Valuations in the next few years will continue to increase with upcoming projects, such as the renovation of several downtown buildings to include high-end lofts and apartments, the construction of the Spring Valley Wireless building and the possibility of a new recreational trail running through Perry on the old Union Pacific railroad right-of-way. This would attach to the Raccoon River Valley Trail and would attract many recreational enthusiasts and businesses geared toward serving trail users. The City will use this increase in revenues to finance programs we currently offer.

During the FY 2007 budget process, the City planned on a positive balance of approximately \$19,000 to use as a beginning balance in the General Fund. City leaders were careful not to fall into a deficit situation again and provided a balanced budget in the General Fund for FY 2007. The actual beginning balance in the General Fund for FY 2007 will be \$112,250.

These indicators were taken into account when adopting the General Fund budget for FY 2007. Amounts available for appropriation in the FY 2007 General Fund budget are budgeted at \$3,171,508. Expenditures in the FY 2007 General Fund budget are budgeted at \$3,169,872.

The City has added no major new programs or initiatives to the FY 2007 budget. The largest project in FY 2007 is Step 2 of the Downtown Revitalization Plan being funded through a general obligation urban renewal bond paid through the TIF Fund.

The City is working with the Environmental Protection Agency through a grant that provides an environmental assessment of the Brownfield area. The City is currently working to develop the Brownfield into an area that could be ultimately used for recreation and possible commercial development.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Butch Niebuhr, City Administrator, Jeanette Peddicord, City Clerk, or Susie Moorhead, Finance Officer, at Perry City Hall located at 908 Willis Avenue, Perry, IA 50220.

City of Perry

Basic Financial Statements

City of Perry

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,466,889	37,456	94,911	-
Public works	2,072,543	762,378	692,162	-
Health and social services	8,850	-	1,600	-
Culture and recreation	1,074,267	334,283	158,332	-
Community and economic development	212,968	25,515	59,583	-
General government	715,365	39,868	190,865	-
Debt service	369,394	-	-	-
Capital projects	326,979	38,751	-	632
Total governmental activities	6,247,255	1,238,251	1,197,453	632
Business type activities:				
Sewer	822,993	929,583	-	-
Sewer discharge	60,755	63,514	-	-
Total business type activities	883,748	993,097	-	-
Total Primary Government	\$ 7,131,003	2,231,348	1,197,453	632
Component Units:				
Perry Police Officers Association	\$ 13,215	-	17,468	-
Perry Volunteer Firefighter's Association	8,197	-	7,564	-
Perry Municipal Waterworks	1,248,113	1,045,364	48,653	-
Total Component Units	\$ 1,269,525	1,045,364	73,685	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax received from Perry Community School District				
Unrestricted interest on investments				
Bond proceeds (net of \$11,939 discount)				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,334,522)	-	(1,334,522)	-
(618,003)	-	(618,003)	-
(7,250)	-	(7,250)	-
(581,652)	-	(581,652)	-
(127,870)	-	(127,870)	-
(484,632)	-	(484,632)	-
(369,394)	-	(369,394)	-
(287,596)	-	(287,596)	-
(3,810,919)	-	(3,810,919)	-
-	106,590	106,590	-
-	2,759	2,759	-
-	109,349	109,349	-
(3,810,919)	109,349	(3,701,570)	-
-	-	-	4,253
-	-	-	(633)
-	-	-	(154,096)
-	-	-	(150,476)
1,790,074	-	1,790,074	-
398,759	-	398,759	-
202,375	-	202,375	-
761,510	-	761,510	-
32,981	17,265	50,246	22,702
1,778,061	-	1,778,061	-
75,000	-	75,000	-
114,810	-	114,810	83,624
65,821	(65,821)	-	-
5,219,391	(48,556)	5,170,835	106,326
1,408,472	60,793	1,469,265	(44,150)
1,288,524	928,183	2,216,707	690,824
\$ 2,696,996	988,976	3,685,972	646,674
\$ 371,656	-	371,656	-
297,177	-	297,177	-
59,011	489,284	548,295	201,822
1,856,902	-	1,856,902	72,619
112,250	499,692	611,942	372,233
\$ 2,696,996	988,976	3,685,972	646,674

City of Perry

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,087,374	-	-	-
Tax increment financing	-	-	398,759	-
Other city tax	114,485	-	-	-
Licenses and permits	75,891	-	-	-
Use of money and property	56,170	-	12,917	731
Intergovernmental	216,157	639,076	-	761,510
Charges for service	1,071,588	-	-	-
Special assessments	-	-	-	-
Miscellaneous	141,621	-	46,666	-
Total receipts	2,763,286	639,076	458,342	762,241
Disbursements:				
Operating:				
Public safety	1,079,949	-	-	-
Public works	661,573	570,012	-	626,979
Health and social services	8,850	-	-	-
Culture and recreation	831,344	-	-	-
Community and economic development	196,133	-	-	-
General government	296,644	-	335,314	28,151
Debt service	75,000	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,149,493	570,012	335,314	655,130
Excess (deficiency) of receipts over (under) disbursements	(386,207)	69,064	123,028	107,111
Other financing sources (uses):				
Bond/note proceeds	-	-	-	-
Operating transfers in	812,319	-	-	109,251
Operating transfers out	(3,166)	-	(108,618)	(657,208)
Total other financing sources (uses)	809,153	-	(108,618)	(547,957)
Net change in cash balances	422,946	69,064	14,410	(440,846)
Cash balances beginning of year, as restated	(310,696)	302,592	282,767	509,885
Cash balances end of year	\$ 112,250	371,656	297,177	69,039
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	112,250	-	-	-
Special revenue funds	-	371,656	297,177	69,039
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 112,250	371,656	297,177	69,039

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
663,054	201,880	-	34,513	1,986,821
-	-	-	-	398,759
1,572	495	-	215	116,767
-	-	-	-	75,891
2,368	-	8	338	72,532
-	-	624	-	1,617,367
-	-	-	1,450	1,073,038
-	-	-	970	970
41,105	-	-	165,308	394,700
<u>708,099</u>	<u>202,375</u>	<u>632</u>	<u>202,794</u>	<u>5,736,845</u>
375,945	-	-	10,995	1,466,889
213,979	-	-	-	2,072,543
-	-	-	-	8,850
117,537	-	-	125,386	1,074,267
15,700	-	-	1,135	212,968
55,256	-	-	-	715,365
-	294,394	-	-	369,394
-	-	326,979	-	326,979
<u>778,417</u>	<u>294,394</u>	<u>326,979</u>	<u>137,516</u>	<u>6,247,255</u>
(70,318)	(92,019)	(326,347)	65,278	(510,410)
-	75,000	1,778,061	-	1,853,061
-	23,354	-	5,420	950,344
-	(75,000)	(1,917)	(38,614)	(884,523)
-	23,354	1,776,144	(33,194)	1,918,882
(70,318)	(68,665)	1,449,797	32,084	1,408,472
97,351	127,676	3,243	275,706	1,288,524
27,033	59,011	1,453,040	307,790	2,696,996
-	59,011	-	-	59,011
-	-	-	-	112,250
27,033	-	-	79,306	844,211
-	-	1,453,040	-	1,453,040
-	-	-	228,484	228,484
<u>27,033</u>	<u>59,011</u>	<u>1,453,040</u>	<u>307,790</u>	<u>2,696,996</u>

Exhibit C

City of Perry

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2006

	Non Major -		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 929,583	63,514	993,097
Operating disbursements:			
Business type activities	350,556	60,755	411,311
Excess of operating receipts over operating disbursements	579,027	2,759	581,786
Non-operating receipts (disbursements):			
Interest on investments	17,265	-	17,265
Debt service	(472,437)	-	(472,437)
Total non-operating receipts (disbursements)	(455,172)	-	(455,172)
Excess of receipts over disbursements	123,855	2,759	126,614
Transfers:			
Operating transfers in	2,533	-	2,533
Operating transfers out	(68,354)	-	(68,354)
Total transfers	(65,821)	-	(65,821)
Net change in cash balances	58,034	2,759	60,793
Cash balances beginning of year, as restated	911,893	16,290	928,183
Cash balances end of year	\$ 969,927	19,049	988,976
Cash Basis Fund Balances			
Reserved for debt service	\$ 489,284	-	489,284
Unreserved	480,643	19,049	499,692
Total cash basis fund balances	\$ 969,927	19,049	988,976

See notes to financial statements.

City of Perry

Statement of Changes in Fiduciary Net Assets – Cash Basis
Fiduciary Fund

As of and for the year ended June 30, 2006

	Police Pension
Additions:	
Employer contributions	\$ 68,984
Interest on investments	15,107
Total additions	84,091
Deductions:	
Benefits paid	68,984
Net change in cash balances	15,107
Cash balance beginning of year, as restated	533,437
Cash balance end of year	\$ 548,544

See notes to financial statements.

Exhibit E

City of Perry

Combining Statement of Activities and Net Assets – Cash Basis
Discretely Presented Component Units

As of and for the year ended June 30, 2006

	Perry Police Officers Association	Perry Volunteer Firefighters Association	Perry Municipal Waterworks	Total Component Units
Disbursements	\$ 13,215	8,197	1,248,113	1,269,525
Program receipts:				
Charges for service	-	-	1,045,364	1,045,364
Operating grants and contributions	17,468	7,564	48,653	73,685
Total program receipts	17,468	7,564	1,094,017	1,119,049
Net program (disbursements) receipts	4,253	(633)	(154,096)	(150,476)
General receipts:				
Interest on investments	-	67	22,635	22,702
Miscellaneous	-	-	83,624	83,624
Total general receipts	-	67	106,259	106,326
Change in cash basis net assets	4,253	(566)	(47,837)	(44,150)
Cash basis net assets beginning of year, as restated	1,761	16,016	673,047	690,824
Cash basis net assets end of year	\$ 6,014	15,450	625,210	646,674

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

City of Perry is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Perry has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Perry (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Perry Municipal Waterworks was established to operate the City's waterworks facilities. The Waterworks is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Waterworks is held in the name of the City. A financial benefit/burden exists between the City and the Waterworks in that the City is authorized by statute to issue general obligation debt for a city utility and may certify taxes for the payment of the debt. Complete financial statements can be obtained from Perry Municipal Waterworks, 1101 W 3rd Street, PO Box 604, Perry, Iowa 50220.

The Perry Police Officers Association and the Perry Volunteer Firefighter's Association were organized as non-profit entities under Chapter 504A of the Code of Iowa. The purpose of each Association is to promote fellowship and brotherhood among members and to provide and support community service activities. The Associations are legally separate from the City but are financially accountable to the City, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: North Dallas Regional Solid Waste Planning Commission, Metropolitan Design Standards, Central Iowa Regional Transportation Planning Alliance, Perry Area Child Development Corp. and the Dallas County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental and enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for local sales and service tax receipts received through a 28E agreement with the Perry Community School District and related disbursements.

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits (such as health insurance, pension, etc.).

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Additionally, the City reports a fiduciary fund. Fiduciary funds are used to account for assets held by the City in a trustee capacity.

C. Measurement Focus and Basis of Accounting

The City of Perry maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted. However, disbursements exceeded the budget in the health and social services, community and economic development and capital projects functions before the budget was amended.

(2) Cash and Pooled Investments

The City's and its component units' deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and its component units are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Repurchase Agreements	\$ 2,951,226	2,951,226	Less than 1 year
Common Stock	14,832	19,700	N/A

Common stock was received from Principal Financial Group, Inc. as demutualization compensation.

The City had 7 certificates of deposit held in depositories outside the State of Iowa.

The City utilizes various sweep accounts which are invested in repurchase agreements on a daily basis. In accordance with Chapter 12B.10(5)(e) of the Code of Iowa, the City may only invest in repurchase agreements whose underlying collateral consists of the investments allowed by statute, if the City takes delivery of the underlying collateral, either directly or through an authorized custodian. The City did not take delivery of the underlying collateral for the repurchase agreements directly and did not enter into an appropriate public funds custodial agreement to allow for an authorized custodian to take delivery as required.

Also, investments in repurchase agreements were not identified as an allowable investment in the City's investment policy.

Interest rate risk: The City's investment policy limits the investment of operating funds (funds reasonably expected to be expended during a current budget year or within fifteen months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities must be consistent with the needs and uses of the City.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the City's \$2,951,226 investment in repurchase agreements, \$3,020,861 of underlying securities are held by the investment's counterparty, not in the name of the City.

Concentration of credit risk: The City places no limit on the amount that may be invested in any one issuer. However, the City's policy requires the City to diversify its investments to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, issuer or class of securities. More than 5% of the City's investments are in repurchase agreements. These investments are 99% of the City's total investments.

Investment of the Police Pension Fund is authorized under Chapter 410 of the Code of Iowa. The Board of Trustees may invest these funds in interest bearing bonds, notes, certificates or other evidences of indebtedness which are obligations of or guaranteed by the United States or in interest bearing bonds of the State of Iowa, of any county, township or municipal corporation of the State of Iowa.

(3) Long-Term Debt

Bonds and Notes Payable

Primary Government

Annual debt service requirements to maturity for general obligation bonds/notes, urban renewal tax increment revenue bonds and sewer revenue bonds/notes are as follows:

Year Ending June 30,	General Obligation		Urban Renewal		Sewer		Total	
	Bonds/Notes		Tax Increment		Revenue Bonds/Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 105,000	87,336	215,587	19,413	346,000	130,776	666,587	237,525
2008	105,000	79,882	224,209	10,791	358,000	121,311	687,209	211,984
2009	110,000	75,472	103,797	2,055	373,000	110,639	586,797	188,166
2010	225,000	70,853	-	-	381,000	98,872	606,000	169,725
2011	235,000	62,303	-	-	396,000	86,136	631,000	148,439
2012 - 2016	1,330,000	165,501	-	-	1,908,000	208,906	3,238,000	374,407
2017 - 2019	-	-	-	-	197,000	7,931	197,000	7,931
Total	\$ 2,110,000	541,347	543,593	32,259	3,959,000	764,571	6,612,593	1,338,177

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the sewer revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond/note sinking account for the purpose of making the bond/note principal and interest payments when due.
- (c) A sewer reserve fund shall be established and maintained in the amount of \$449,181. The reserve fund will be used for the payment of principal and interest whenever funds on deposit in the sinking fund are insufficient.
- (d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year. However, the City does not charge itself for sewer services.

Discretely Presented Component Unit

Annual debt service requirements to maturity for Perry Municipal Waterworks water revenue bonds and notes are as follows:

Year Ending June 30,	Water Revenue Bonds			Water Revenue Notes			Total	
	Issued Feb 7, 2000			Issued Sep 1, 2004				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2007	3.53%	\$ 27,000	15,320	2.70%	\$ 35,000	25,025	\$ 62,000	40,345
2008	3.53	28,000	14,367	3.00	40,000	24,080	68,000	38,447
2009	3.53	29,000	13,379	3.20	40,000	22,880	69,000	36,259
2010	3.53	30,000	12,355	3.40	40,000	21,600	70,000	33,955
2011	3.53	31,000	11,296	3.60	45,000	20,240	76,000	31,536
2012 - 2016	3.53	171,000	39,361	3.80-4.40	245,000	74,635	416,000	113,996
2017 - 2019	3.53	118,000	8,438	4.50-4.70	185,000	17,385	303,000	25,823
		<u>\$ 434,000</u>	<u>114,516</u>		<u>\$ 630,000</u>	<u>205,845</u>	<u>\$ 1,064,000</u>	<u>320,361</u>

The resolutions providing for the issuance of the water revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A water reserve fund shall be established and maintained in the amount of \$110,739.
- (d) The Board will provide for the establishment of rates to produce revenues at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year.

Bank Loan Agreements

On July 25, 2003, the City entered into a loan agreement with the local bank for \$16,622. The funds were used for the purchase of a police car. The loan bears 4.75% per annum interest and is to be repaid in three annual installments of \$6,076, including interest, beginning July 25, 2004 and ending July 25, 2006. The balance of the loan at June 30, 2006 was \$5,805.

On August 10, 2004, the City entered into a loan agreement with the local bank for \$32,010. The funds were used for the purchase of police cars. The loan bears 4.99% per annum interest and is to be repaid in three annual installments of \$11,760, including interest, beginning August 10, 2005 and ending August 10, 2007. The balance of the loan at June 30, 2006 was \$21,874.

On May 17, 2006, the City entered into a loan agreement with the local bank for \$12,506. The funds were used for the purchase of a truck for the zoning department. The loan bears 5.93% per annum interest and is to be repaid in four quarterly installments of \$3,220, including interest, beginning July 1, 2006 and ending April 1, 2007. The balance of the loan at June 30, 2006 was \$12,506.

Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease an aerial truck, cardboard bailer and computer equipment for the library with historical costs of \$384,415, \$45,855 and \$66,768, respectively. The following is a schedule of future minimum lease payments, including interest ranging from 4.95% to 5.59% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2006:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Aerial</u> <u>Truck</u>	<u>Cardboard</u> <u>Bailer</u>	<u>Library</u> <u>Computer</u> <u>System</u>
2007	\$ 49,539	10,336	15,039
2008	49,539	-	1,254
2009	49,539	-	-
2010	49,539	-	-
2011	49,539	-	-
2012	49,539	-	-
Total minimum lease payments	297,234	10,336	16,293
Less amount representing interest	(47,447)	(547)	(461)
Present value of net minimum Lease payments	<u>\$ 249,787</u>	<u>9,789</u>	<u>15,832</u>

Payments under capital lease purchase agreements totaled \$106,023 for the year ended June 30, 2006.

Development Agreement

The City has entered into a development agreement with Perry Economic Development Inc. to assist in an urban renewal project. The City agreed to pay a developer \$385,000 in exchange for development of commercial property located in the urban renewal area. Of the \$385,000, \$100,000 was paid from existing tax increment funds, with the remainder to be paid over five years with interest of 6% per annum.

During the year ended June 30, 2006, the City paid the developer \$67,756 from incremental property taxes which consisted of principal totaling \$57,298 and interest of \$10,458. The outstanding principal balance on the development agreement at June 30, 2006 was \$117,003.

Real Estate Contract

On February 3, 2003, the City entered into a real estate contract for the purchase of land for cemetery expansion totaling \$117,845 plus interest at 7% per annum. A down payment of \$4,000 was made upon contract approval with an additional principal payment of \$11,000 made on January 2, 2004. Monthly payments of \$938 began August 1, 2003 and will end July 1, 2013. The unpaid balance at June 30, 2006 totaled \$62,683.

(4) Pension and Retirement Benefits

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$131,780, \$119,872 and \$128,740, respectively, equal to the required contributions for each year.

Chapter 410 Police Pension Plan

Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.

This pension plan is accounted for by the City in the Police Pension Fund. The City finances the amount necessary to fund the annual contribution to this pension plan by levying property tax. The City's contributions to this plan for the years ended June 30, 2006, 2005 and 2004, were \$68,984, \$67,486 and \$66,032, respectively.

The plan is administered by the City through the Police Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established by State statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50 percent of the monthly salary at retirement or disability and 50 percent of the monthly salary at death.

The City has four eligible police officers. All are retired and are receiving benefits.

Presented below is the total pension benefit obligation of the City for this pension plan. The amount is based on a standardized measurement established by GASB Statement No. 5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure, including:

- (1) The present value of future pension payments was computed using a discount rate of 6.0%. This discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- (2) Future pension payments reflect an assumption of 2.22% salary increases as a result of inflation.

As of July 1, 2003, the latest actuarial valuation made, the standardized measure of the unfunded pension obligation is as follows:

Pension Benefit Obligation

Retirees and Beneficiaries Benefits as of July 1, 2003	\$ 905,664
Net Assets Available for Benefits as of June 30, 2006	<u>548,544</u>
Unfunded Pension Benefit Obligations	<u>\$ 357,120</u>

The ten-year historical trend information related to this pension plan is not available.

Police Retirement Plan

On March 16, 1987, the City of Perry entered into an agreement with the Perry Police Department to provide a replacement plan for retirement, disability and survivor benefits in lieu of social security. Under the terms of the agreement, members of the Police Department agreed to have an amount, equivalent to the federal social security rate in effect, withdrawn from each paycheck with the City providing matching funds. Funds are forwarded to a plan administrator. Due to the lack of information available from the plan administrator, we were unable to provide certain disclosures for the defined contribution plan.

During the year ended June 30, 2006, the City of Perry and Perry Police Department employees each contributed 6.2% of compensation to the defined contribution plan. The amount paid by the City for the years ended June 30, 2006, 2005 and 2004 was \$35,778, \$35,392 and \$33,104, respectively.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Starting July 1, 2002, full-time employees may not accrue more than 800 hours of sick leave. At the time of retirement, a reduction in work force or termination, the City will buy back sick leave hours at a rate of one to four.

The City's approximate liability for earned vacation, compensatory time and sick leave termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 111,800
Compensatory time	16,400
Sick leave	<u>56,200</u>
Total	<u>\$ 184,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Interfund Loans

During the year ended June 30, 1997, the Enterprise, Sewer Fund loaned \$100,000 at no interest to the Special Revenue, Urban Renewal Tax Increment Fund. The interfund loan is still outstanding and no principal was paid on the loan during the year ended June 30, 2006.

During the year ended June 30 2003, the Enterprise, Sewer Fund loaned the General Fund \$25,328 at no interest. A total of \$2,533 was repaid during the year ended June 30, 2006 and the balance due was \$16,885.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 657,208
	Emergency	33,194
	Debt Service	75,000
	Capital Projects	1,917
	Enterprise:	
	Sewer	45,000
		<u>812,319</u>
Special Revenue:		
Local Option Sales Tax	General	633
	Special Revenue:	
	Urban Renewal Tax Increment	108,618
		<u>109,251</u>
Library Gift	Special Revenue:	
	Friends of the Perry Public Library	5,420
Debt Service	Enterprise:	
	Sewer	23,354
Enterprise:		
Sewer	General	2,533
Total		<u>\$ 952,877</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Construction Commitments

The City has entered into construction contracts totaling approximately \$2,964,000 for downtown revitalization, street and storm sewer improvements. As of June 30, 2006, approximately \$464,000 had been paid on the contracts. The remaining \$2,500,000 will be paid as work on the projects progresses.

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2006 was \$86,394 and the Perry Municipal Waterworks' contribution was \$13,919.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective

individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Economic Development Loan

On July 21, 2003, the City loaned \$200,000 to Tri-County Cash Lumber Mart, Inc. for construction of water, sewer and street improvements for the Homes of Hiawatha subdivision under the provisions of Chapter 15A of the Code of Iowa. Interest will be repaid at the rate of 3% per annum on July 1 of each year, beginning July 1, 2004. By July 1, 2009, at least forty percent of the principal should be repaid, with the remaining balance due on July 1, 2013. The loan is secured by a mortgage on all lots and property within the Homes of Hiawatha subdivision. The loan was made from the Special Revenue, Urban Renewal Tax Increment Fund and loan repayments will be used to replenish this fund.

(11) Repayment of Development Agreement

In October 2001, the City entered into a development agreement with Hospital Fund, Inc. to assist in an urban renewal project. The City agreed to pay the developer \$185,000 in exchange for certain street and sanitary sewer improvements. The amounts were subsequently paid from incremental property tax revenues.

During 2005, a lawsuit was settled which required Hospital Fund, Inc. to repay the \$185,000 less tax amounts collected by the City on the applicable property during fiscal years 2004 and 2005. As a result, Hospital Fund, Inc. owed the City \$121,135.

During the year ended June 30, 2006, the City received repayments of \$30,000 from the developer, leaving an outstanding balance of \$91,135.

(12) Restatements

Governmental Fund Financial Statement:

The beginning cash balances of certain Special Revenue funds were restated to include activity not previously reported.

	<u>Employee Benefits</u>	<u>Friends of the Perry Library</u>
Beginning balance, at June 30, 2005, as previously reported	\$ 82,519	-
To report common stock gifted to the City	14,832	-
To report beginning cash balance not previously reported	-	1,575
Beginning balance, at July 1, 2005, as restated	<u>\$ 97,351</u>	<u>1,575</u>

The beginning cash balances of certain proprietary funds were reclassified to more appropriately reflect the nature and purpose of the funds.

	<u>Sewer</u>	<u>Sewer Discharge</u>
Beginning balance, at June 30, 2005, as previously reported	\$ 928,183	-
Reclassification - to remove storm water activity from the Sewer Fund	(16,290)	16,290
Beginning balances, at July 1, 2005, as restated	<u>\$ 911,893</u>	<u>16,290</u>

The beginning cash balance of the Fiduciary, Police Pension Fund, was restated to correct the reporting of a certificate of deposit.

	<u>Fiduciary Fund</u>
Beginning balance, at June 30, 2005, as previously reported	\$ 541,117
To reduce the value of a certificate of deposit for interest earnings added to the principal amount in error	(7,680)
Beginning balance, at July 1, 2005, as restated	<u>\$ 533,437</u>

Government-wide Financial Statement:

The beginning cash balances of the governmental and business type activities were restated, as follows, for the effects of the above.

In addition, the beginning cash balances of the business type activities and component units were restated to remove the cash balance related to the Perry Municipal Waterworks from the Sewer Fund. The Waterworks was previously reported as a blended component unit but was reclassified to a discretely presented component unit in the current year. Also, two additional discretely presented component units were reported.

	Primary Government			
	Governmental		Total	Component Units
	Activities	Business Type Activities		
Beginning balance at June 30, 2005, as previously reported	\$ 1,272,117	1,601,230	2,873,347	-
To report common stock gifted to the City	14,832	-	14,832	-
To report beginning cash balances not previously reported:				
Friends of the Perry Library	1,575	-	1,575	-
Perry Police Officers Association	-	-	-	1,761
Perry Volunteer Firefighters Association	-	-	-	16,016
To reclassify Perry Waterworks from a blended component unit to a discretely presented component unit	-	(673,047)	(673,047)	673,047
Beginning balance, at July 1, 2005, as restated	\$ 1,288,524	928,183	2,216,707	690,824

(13) Pending Litigation

The City is currently a defendant in a lawsuit. The probability and amount of loss, if any, is undeterminable.

Required Supplementary Information

City of Perry
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds, Proprietary Funds
 and Discretely Presented Component Units

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 1,986,821	-	-	-
Tax increment financing	398,759	-	-	-
Other city tax	116,767	-	-	-
Licenses and permits	75,891	-	-	-
Use of money and property	72,532	17,265	22,702	67
Intergovernmental	1,617,367	-	-	-
Charges for service	1,073,038	993,097	1,028,914	-
Special assessments	970	-	-	-
Miscellaneous	394,700	-	173,759	25,032
Total receipts	5,736,845	1,010,362	1,225,375	25,099
Disbursements:				
Public safety	1,466,889	-	21,412	21,412
Public works	2,072,543	-	-	-
Health and social services	8,850	-	-	-
Culture and recreation	1,074,267	-	-	-
Community and economic development	212,968	-	-	-
General government	715,365	-	-	-
Debt service	369,394	-	-	-
Capital projects	326,979	-	-	-
Business type activities	-	883,748	1,248,113	-
Total disbursements	6,247,255	883,748	1,269,525	21,412
Excess (deficiency) of receipts over (under) disbursements	(510,410)	126,614	(44,150)	3,687
Other financing sources, net	1,918,882	(65,821)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,408,472	60,793	(44,150)	3,687
Balances beginning of year, as restated	1,288,524	928,183	690,824	17,777
Balances end of year	\$ 2,696,996	988,976	646,674	21,464

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,986,821	1,913,709	1,913,709	73,112
398,759	400,000	400,000	(1,241)
116,767	706,843	954,814	(838,047)
75,891	53,725	53,725	22,166
112,432	43,766	80,066	32,366
1,617,367	723,557	1,103,423	513,944
3,095,049	3,007,714	3,041,964	53,085
970	1,500	1,500	(530)
543,427	501,984	613,015	(69,588)
7,947,483	7,352,798	8,162,216	(214,733)
1,466,889	1,451,336	1,501,510	34,621
2,072,543	1,949,498	2,126,951	54,408
8,850	8,000	8,850	-
1,074,267	1,095,851	1,152,783	78,516
212,968	78,687	376,988	164,020
715,365	654,002	753,422	38,057
369,394	224,336	374,402	5,008
326,979	42,000	466,396	139,417
2,131,861	2,119,431	2,180,187	48,326
8,379,116	7,623,141	8,941,489	562,373
(431,633)	(270,343)	(779,273)	347,640
1,853,061	-	1,828,561	24,500
1,421,428	(270,343)	1,049,288	372,140
2,889,754	3,622,788	3,622,788	(733,034)
4,311,182	3,352,445	4,672,076	(360,894)

City of Perry

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds and certain discretely presented component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,318,348. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted. However, disbursements exceeded the budget in the health and social services, community and economic development and capital projects functions before the budget was amended.

Other Supplementary Information

City of Perry

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special		
	Emergency	Police Drug	Special Assessment
Receipts:			
Property tax	\$ 34,513	-	-
Other city tax	215	-	-
Use of money and property	-	-	-
Charges for service	-	1,450	-
Special assessments	-	-	970
Miscellaneous	-	21,272	-
Total receipts	34,728	22,722	970
Disbursements:			
Operating:			
Public safety	-	10,995	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Total disbursements	-	10,995	-
Excess (deficiency) of receipts over (under) disbursements	34,728	11,727	970
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(33,194)	-	-
Total other financing sources (uses)	(33,194)	-	-
Net change in cash balances	1,534	11,727	970
Cash balances beginning of year, as restated	1,747	6,556	3,413
Cash balances end of year	\$ 3,281	18,283	4,383
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 3,281	18,283	4,383
Permanent funds	-	-	-
Total cash basis fund balances	\$ 3,281	18,283	4,383

See accompanying independent auditor's report.

Revenue				Permanent			Total
Library Gift	Recreation Memorial	Wiese Park	Friends of the Perry Public Library	O'Brien Beautification	Cemetery Perpetual Care		
-	-	-	-	-	-	34,513	
-	-	-	-	-	-	215	
338	-	-	-	-	-	338	
-	-	-	-	-	-	1,450	
-	-	-	-	-	-	970	
69,483	10,000	48,432	9,991	-	6,130	165,308	
69,821	10,000	48,432	9,991	-	6,130	202,794	
-	-	-	-	-	-	10,995	
72,070	-	48,432	4,884	-	-	125,386	
-	-	-	-	1,135	-	1,135	
72,070	-	48,432	4,884	1,135	-	137,516	
(2,249)	10,000	-	5,107	(1,135)	6,130	65,278	
5,420	-	-	-	-	-	5,420	
-	-	-	(5,420)	-	-	(38,614)	
5,420	-	-	(5,420)	-	-	(33,194)	
3,171	10,000	-	(313)	(1,135)	6,130	32,084	
15,132	8,935	14,859	1,575	51,279	172,210	275,706	
18,303	18,935	14,859	1,262	50,144	178,340	307,790	
18,303	18,935	14,859	1,262	-	-	79,306	
-	-	-	-	50,144	178,340	228,484	
18,303	18,935	14,859	1,262	50,144	178,340	307,790	

City of Perry
Schedule of Indebtedness
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Corporate purpose notes	May 1, 1999	3.60-4.20%	\$ 880,000
Street improvement note	Apr 19, 2006 [█]	7.75	75,000
Urban renewal corporate purpose bonds	May 15, 2006	3.80-4.10	1,790,000
Total			
Urban renewal tax increment financing revenue bonds	May 20, 2005	3.96%	\$ 750,000
Revenue bonds and notes:			
Sewer	Jun 20, 1996	4.19%	\$ 1,082,000
Sewer	Sep 24, 1998 [█]	4.23	1,178,613
Sewer	Sep 24, 1998 [█]	4.23	421,387
Sewer revenue refunding notes	Apr 15, 2004	1.10-3.60	2,705,000
Total			
Lease purchase agreements:			
Aerial truck	Nov 20, 2001	5.21%	\$ 384,415
Cardboard bailer	Apr 17, 2002 [█]	5.59	45,855
Library computer system	Aug 1, 2002 [█]	4.95	66,768
Street sweeper	Nov 6, 2002 [█]	4.74	116,235
Total			
Bank loans:			
Police car	Jul 25, 2003	4.75%	\$ 16,622
Police cars	Aug 10, 2004 [█]	4.99	32,010
Police car	May 11, 2005 [█]	4.90	10,125
Zoning department truck	May 17, 2006 [█]	5.93	12,506
Total			
Real estate contracts:			
Stokely land	Aug 29, 2003	0.00%	\$ 80,000
Bess land	Feb 3, 2003 [█]	7.00	117,845
Total			
Development agreement	Sep 3, 2002	6.00%	\$ 285,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
420,000	-	100,000	320,000	17,435
-	75,000	75,000	-	16
-	1,790,000	-	1,790,000	-
\$ 420,000	1,865,000	175,000	2,110,000	17,451
\$ 750,000	-	206,407	543,593	28,593
445,000	-	35,000	410,000	17,912
995,000	-	59,000	936,000	40,841
351,000	-	18,000	333,000	14,467
2,500,000	-	220,000	2,280,000	65,923
\$ 4,291,000	-	332,000 ▼	3,959,000	139,143
284,511	-	34,724	249,787	14,815
19,059	-	9,270	9,789	1,066
29,713	-	13,881	15,832	1,159
29,700	-	29,700	-	1,408
\$ 362,983	-	87,575 ▼	275,408	18,448
11,342	-	5,537	5,805	539
32,010	-	10,136	21,874	1,624
10,125	-	10,125	-	94
-	12,506	-	12,506	-
\$ 53,477	12,506	25,798 ▼	40,185	2,257
31,200	-	31,200	-	-
69,291	-	6,608	62,683	4,648
\$ 100,491	-	37,808	62,683	4,648
\$ 174,301	-	57,298	117,003	10,458

City of Perry
 Bond and Note Maturities
 June 30, 2006

Year Ending June 30,	General Obligation Corporate Purpose Notes Issued May 1, 1999		General Obligation Urban Renewal Corporate Purpose Bonds Issued May 15, 2006		Total	Urban Renewal Tax Increment Financing Revenue Bonds Issued May 20, 2005	
	Interest		Interest			Interest	
	Rates	Amount	Rates	Amount		Rates	Amount
2007	4.10%	\$ 105,000		\$ -	105,000	3.96%	\$ 215,587
2008	4.20	105,000		-	105,000	3.96	224,209
2009	4.20	110,000		-	110,000	3.96	103,797
2010		-	3.80%	225,000	225,000		-
2011		-	3.85	235,000	235,000		-
2012		-	3.90	245,000	245,000		-
2013		-	3.95	255,000	255,000		-
2014		-	4.00	265,000	265,000		-
2015		-	4.05	275,000	275,000		-
2016		-	4.10	290,000	290,000		-
2017		-		-	-		-
2018		-		-	-		-
2019		-		-	-		-
Total		<u>\$ 320,000</u>		<u>\$ 1,790,000</u>	<u>2,110,000</u>		<u>\$ 543,593</u>

See accompanying independent auditor's report.

Sewer Revenue Bond Issued Jun 20, 1996		Sewer Revenue Bond Issued Sep 24, 1998		Sewer Revenue Bond Issued Sep 24, 1998		Sewer Revenue Refunding Notes Issued Apr 15, 2004		Total
Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
4.19%	\$ 35,000	4.23%	\$ 64,000	4.23%	\$ 22,000	1.70%	\$ 225,000	346,000
4.19	35,000	4.23	69,000	4.23	24,000	2.00	230,000	358,000
4.19	40,000	4.23	73,000	4.23	25,000	2.35	235,000	373,000
4.19	40,000	4.23	75,000	4.23	26,000	2.60	240,000	381,000
4.19	40,000	4.23	78,000	4.23	28,000	2.85	250,000	396,000
4.19	40,000	4.23	78,000	4.23	28,000	3.10	260,000	406,000
4.19	45,000	4.23	78,000	4.23	28,000	3.30	270,000	421,000
4.19	45,000	4.23	85,000	4.23	32,000	3.45	280,000	442,000
4.19	45,000	4.23	85,000	4.23	32,000	3.60	290,000	452,000
4.19	45,000	4.23	109,000	4.23	33,000		-	187,000
	-	4.23	85,000	4.23	32,000		-	117,000
	-	4.23	51,000	4.23	20,000		-	71,000
	-	4.23	6,000	4.23	3,000		-	9,000
	<u>\$ 410,000</u>		<u>\$ 936,000</u>		<u>\$ 333,000</u>		<u>\$ 2,280,000</u>	<u>3,959,000</u>

Schedule 4

City of Perry

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property tax	\$ 1,986,821	2,188,259	2,138,066	1,866,408
Tax increment financing	398,759	440,601	405,732	355,388
Other city tax	116,767	-	714,035	700,060
Licenses and permits	75,891	68,061	53,771	47,792
Use of money and property	72,532	28,862	8,556	24,062
Intergovernmental	1,617,367	1,466,781	811,712	1,197,948
Charges for service	1,073,038	1,157,225	1,126,046	991,731
Special assessments	970	1,441	2,609	-
Miscellaneous	394,700	191,221	185,578	244,390
Total	\$ 5,736,845	5,542,451	5,446,105	5,427,779
Disbursements:				
Operating:				
Public safety	\$ 1,466,889	1,402,090	1,361,838	1,287,994
Public works	2,072,543	1,639,507	2,591,640	2,155,227
Health and social services	8,850	5,370	9,856	13,118
Culture and recreation	1,074,267	956,329	963,581	949,744
Community and economic development	212,968	73,741	68,702	63,874
General government	715,365	335,705	294,024	409,474
Debt service	369,394	1,306,484	364,134	372,254
Capital projects	326,979	1,082,019	558,368	172,201
Total	\$ 6,247,255	6,801,245	6,212,143	5,423,886

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 6, 2006. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Perry's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Perry's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Perry and other parties to whom the City of Perry may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Perry during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 6, 2006

City of Perry

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:
- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
 - 2) Investments – detailed record keeping, custody and reconciling.
 - 3) Long term debt – recording and reconciling.
 - 4) Receipts – collecting, depositing, posting and reconciling.
 - 5) Disbursements – initiation of disbursements, check signing, recording and reconciling.
 - 6) Payroll – preparing, signing and custody of undistributed warrants.
 - 7) Accounting system – performing all general accounting functions and having custody of City assets.

In addition, an independent person does not enter payroll rates and testing of the rates is not saved by the City.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review the City’s procedures regarding segregation of duties.

Conclusion – Response acknowledged. Duties should be segregated to the extent possible with existing personnel.

- (B) Bank Reconciliations – Monthly bank statements are reconciled to the City’s monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – An independent person should review the bank reconciliations and document their review by initialing and dating the monthly reconciliations.

Response – We will ask a City Council member to review the monthly bank reconciliation and sign off on the paperwork.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2006

(C) Electronic Data Processing Systems – The following weaknesses in the City’s computer based systems were noted:

- Users do not log off computer terminals prior to leaving them unattended for extended periods of time and the terminals do not use a time out/log off function to protect them when left unattended.
- Establishing new computer users and login IDs is not restricted to one individual.
- Employee passwords are shared with others and passwords are not set to a recommended minimum of six characters.
- Employee passwords are not changed periodically and password history is not used to prevent re-use of passwords.
- The computer system does not deny access after three failed login attempts.
- The City does not have a written disaster recovery plan.

Recommendation – The City should address the above items in order to improve the City’s control over computer based systems. Also, a written disaster recovery plan should be developed.

Response – We will work on developing a disaster recovery plan.

Conclusion – Response acknowledged. The City should also implement procedures to address the above weaknesses noted over the computer system.

(D) Petty Cash – A petty cash fund is maintained at City Hall. However, petty cash vouchers are not signed by the person receiving the cash and amounts in the petty cash fund are not verified by surprise counts.

Recommendation – Petty cash vouchers should be signed by the individual receiving the cash and the amounts maintained in the fund should be periodically verified by an independent person performing surprise counts.

Response – We began requiring individuals to sign and date the petty cash receipts and we will have a City Council member verify the petty cash amounts periodically.

Conclusion – Response accepted.

(E) Receipts – An independent person does not open the mail. The individual opening the mail does not prepare an initial listing of collections and a restrictive endorsement is not immediately placed upon each check upon receipt.

City of Perry

Schedule of Findings

Year ended June 30, 2006

Recommendation – An independent person should open the mail and prepare an initial listing of collections and a restrictive endorsement should be placed upon each check immediately upon receipt.

Response – We will prepare an initial listing of collections and place a restrictive endorsement on each check as the mail is opened.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Perry

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted. However, disbursements exceeded the budget in the health and social services, community and economic development and capital projects functions before the budget was amended.

Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget as the need arises.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jay Pattee, Council Member, Owner of Ben Franklin	Supplies	\$ 518
Sandra Ponce, Police Dispatcher, Interpreter services	Interpreter services	1,448
Jose Juan Arceo, Streets Department, Interpreter services	Interpreter services	15

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member and City employees do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

City of Perry

Schedule of Findings

Year ended June 30, 2006

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, for one Council meeting reviewed, the City did not publish the minutes as required by the Code of Iowa.

In addition, the official minutes record did not agree with a contract and one change order reviewed during testing.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required. The official minutes record should reflect accurate information for contracts entered into and change orders approved.

Response – We have since published the minutes in question and will be sure to publish future minutes within the fifteen days as required by law. In the case of the minutes that did not agree with the change order and the contract amount, these minutes were corrected.

Conclusion – Response accepted.

- (7) Deposits and Investments – Except as noted below, deposits and investments were in compliance with Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy.

- a) During the year ended June 30, 2006, City funds deposited at various banks were transferred into daily investment accounts which invested in repurchase agreements.

In accordance with Chapter 12B.10(5)(e) of the Code of Iowa, the City may only invest in repurchase agreements whose underlying collateral consists of the investments allowed by statute, if the City takes delivery of the underlying collateral, either directly or through an authorized custodian. Before an authorized custodian may take delivery of the underlying collateral, the City and custodian must enter into a public funds custodial agreement pursuant to Chapter 12B.10C of the Code of Iowa and Chapter 781-15 of the Treasurer of State's Administrative Rules.

The City did not take delivery of the underlying collateral for the repurchase agreements directly and did not enter into an appropriate public funds custodial agreement to allow for an authorized custodian to take delivery as required.

- b) Investments in repurchase agreements were not identified as an allowable investment in the City's investment policy.
- c) The City had four certificates of deposit and three Police Pension Plan certificates of deposit held in depositories outside the state, which is in violation of Chapters 12B and 410.3 of the Code of Iowa, respectively.

City of Perry

Schedule of Findings

Year ended June 30, 2006

Recommendation – The City should ensure investments are in compliance with the City’s investment policy and an appropriate public funds custodial agreement is in place prior to allowing any additional repurchase agreement transactions. Also, the City should only deposit funds in allowable depositories.

Response – We will review the investment policy regarding the repurchase (sweep) agreements with the City depositories. The City Council has approved a resolution in which the official depositories designated are located within the State of Iowa.

Conclusion – Response accepted.

- (8) Revenue Bonds and Notes – One of the provisions of the sewer revenue bonds requires user rates to be established and charged to customers of the utility, including the City.

The City does not charge itself for sewer services.

Recommendation – The City should comply with the provisions of the sewer revenue bonds.

Response – We will review this policy.

Conclusion – Response acknowledged. The City should comply with debt covenants.

- (9) Payment of Debt Commitments – Certain payments on debt obligations were not budgeted or recorded in the financial records under the debt service function.

Recommendation – The City should budget payments on debt obligations under the debt service function to reflect the true nature of those transactions.

Response – We will code these debt obligations under the correct function.

Conclusion – Response accepted.

- (10) Notice of Public Hearing for Public Improvements – The City published a notice of public hearing and bid letting for the 2005 storm sewer project as required by Chapters 384.102 and 362.3 of the Code of Iowa. However, the official minutes record did not show evidence a public hearing was held on the designated date.

Recommendation – Before entering into any contract for public improvements where the cost is \$25,000 or more, the Council should set a date for a public hearing and the official minutes record should evidence the City held the required public meeting.

Response – We will be sure to follow procedure in the future.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2006

- (11) Tax Increment Debt Certificate – The tax increment debt certificate which certified TIF taxes for fiscal year 2006 included an erroneous certification of TIF debt of \$63,885. In addition, the cash balance in the Special Revenue, Urban Renewal Tax Increment Fund was not credited against outstanding TIF debt prior to completing the debt certificate.

Recommendation – The City should consult legal counsel to resolve this matter.

Response – We will contact the City’s bonding attorney regarding this situation.

Conclusion – Response accepted.

- (12) Repayment of Interfund Loan – During the year ended June 30, 1997, the Enterprise, Sewer Fund loaned \$100,000 to the Special Revenue, Urban Renewal Tax Increment Fund. The interfund loan is still outstanding and no principal or interest has been paid on the loan since its inception.

Recommendation – The Council should take action to set repayment terms for the interfund loan.

Response – We will take Council action on November 20, 2006 to repay this interfund loan from the TIF fund balance.

Conclusion – Response accepted.

- (13) Unclaimed Property - Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer’s Office as required.

Response – We will review the outstanding checks and will begin an annual review process.

Conclusion – Response acknowledged. Checks over two years old should be remitted to the State Treasurer’s Office.

- (14) Authorized Signers – Upon review of authorized signers on the City’s bank accounts, certain accounts included personnel who are no longer City officials registered as authorized signers. In addition, the current Mayor was not listed as an authorized signer.

Recommendation – The City should update the necessary signature cards to include only current employees and officials as authorized signers on the City’s bank accounts.

Response – The Mayor has updated her signature card and cards will be updated in a timely manner in the future.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2006

- (15) City Vehicles – One employee of the City uses a city vehicle to commute between work and home. The City did not include the taxable portion of the vehicle usage in the employee’s income.

Recommendation – The City should ensure compliance with Internal Revenue Service regulations regarding taxability of personal use of certain City provided vehicles.

Response – We will direct the City Attorney to review the Internal Revenue Service regulations regarding this issue.

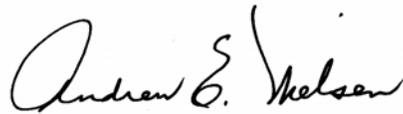
Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Joseph M. Seuntjens, Assistant Auditor
Brian P. Schenkelberg, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State